

WELCOME



Anita Decker
Acting Administrator
Dec. 18, 2012



Agenda

- Welcome – Anita Decker
- Background and Purpose – Linda Kimberling
- Dec. 4 meeting – Tony Montoya
- Next steps – Anita Decker

Access to Capital



Linda Kimberling
Chief Financial Officer

Background Outline

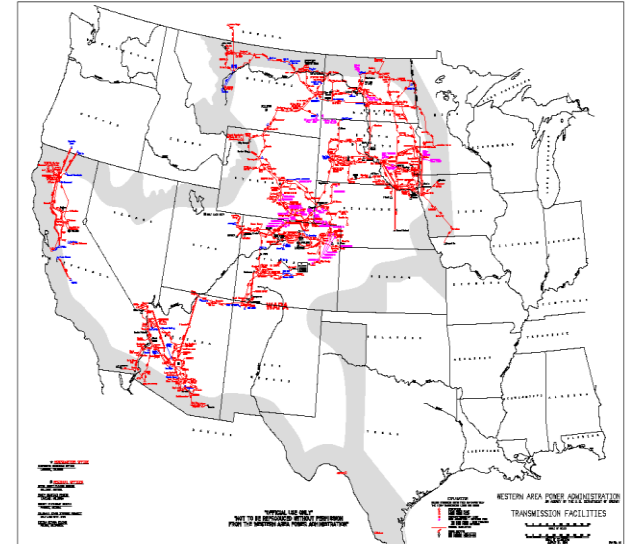
- Reason for today's meeting
- Western's Infrastructure
- Today's Financial Situation
- Current Financial Trends
- Access to Capital Effort
- Timeline

Reason for today's meeting

Over the long term, Western's capital constraints may hinder the ability to make timely investments needed to replace, refurbish and upgrade transmission facilities to ensure adequate and reliable power delivery to customers.

Western's Infrastructure*

- Transmission Lines – 17,135 circuit miles
- Substations – 321
 - Power Transformers – 298
 - Power Circuit Breakers – 1741



- Installed utility plant valued at \$3.5B
- Existing maintenance and operating practices successfully extended the useful lives of many assets

*extracted from WAPA FY11 Annual Report

“Needs of the System”

- Support replacements due to condition
 - Increasing maintenance costs
 - Based on Asset Management Program
- Upgrades to current system
 - Analog to digital
 - Physical to electronic operations

“Needs of the System” (cont)

- Meeting reliability standards
 - NERC Facility Alert
 - Required maintenance intervals
- Utility-standard new technology
 - SCADA upgrades
 - Phasor Measurement Units replacement

Today's Financial Situation

Construction and Rehabilitation Program

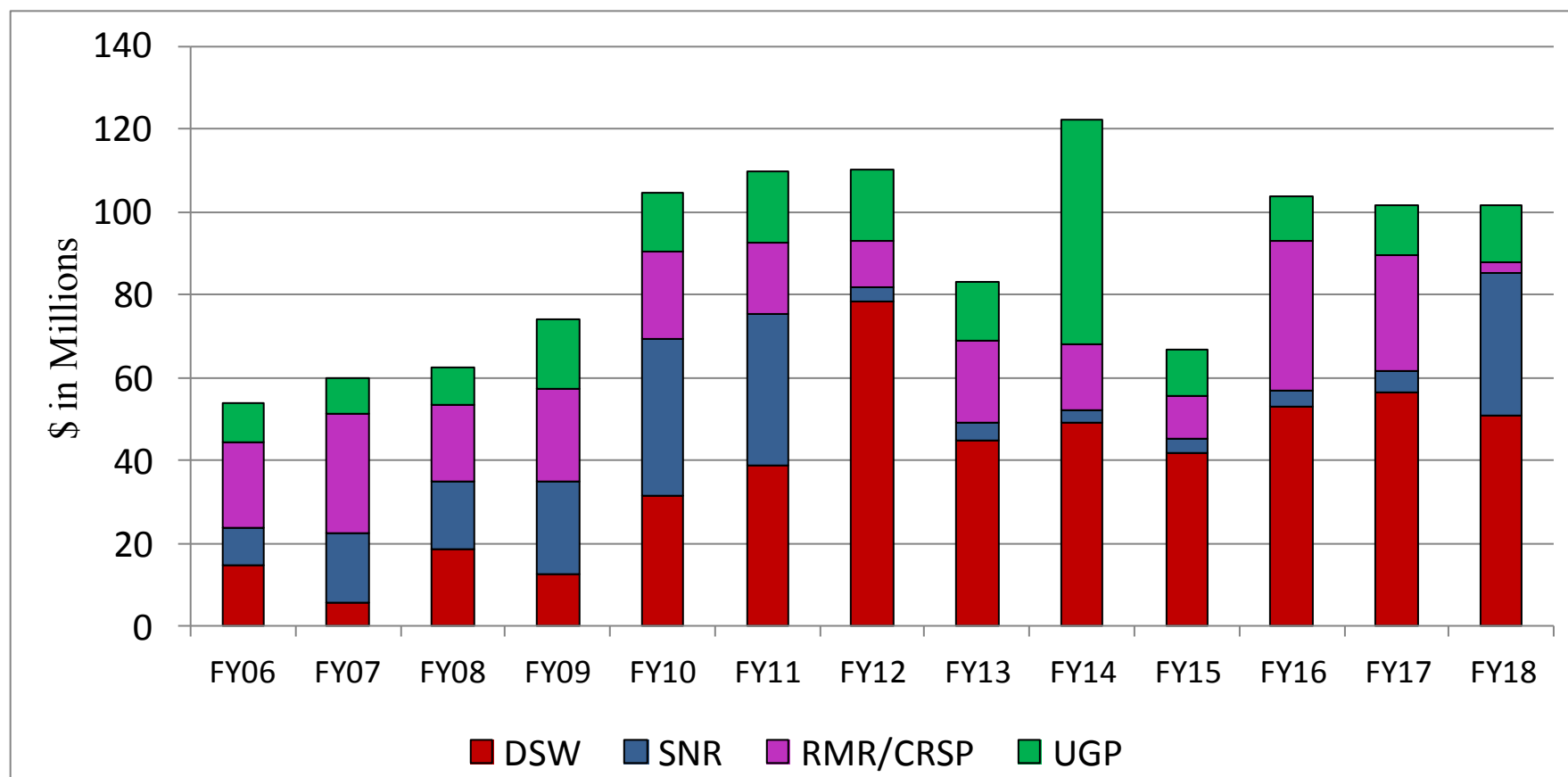
For most of WAPA's projects, there are only two funding sources:

- Appropriations
- Customer advanced funding arrangements (also called “pre-payments”)
 - Net Zero
 - Purchase Power and Wheeling
 - Revolving Fund

Constraints

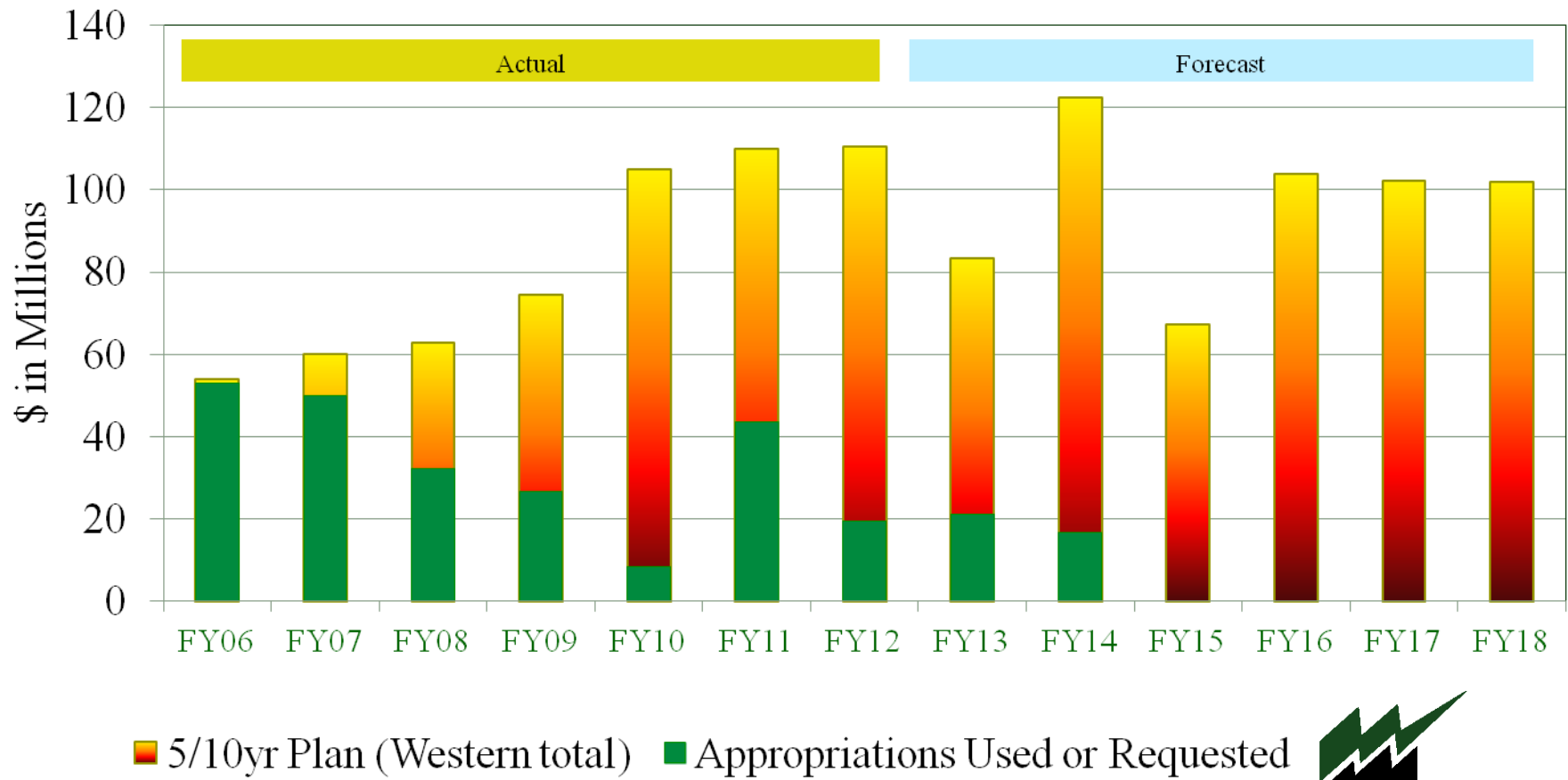
- Inability to use receipts
- Limited authorities
- Cash flow

C&R 5/10-Year Plans

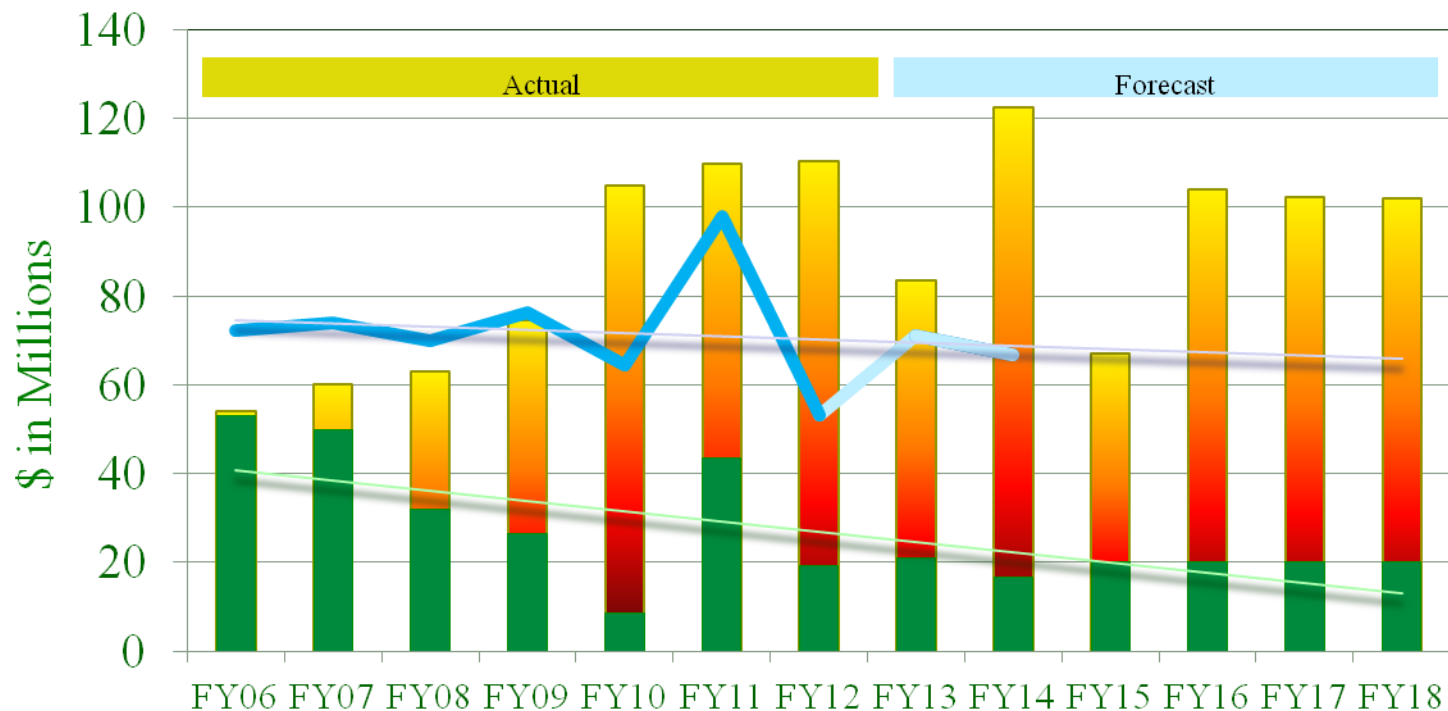


... C&R Financing Trend

Appropriations Not Enough



... C&R Financing Trend plus Customer financing



5/10yr Plan

Appropriations Used or Projected

Actual execution - Approp & Customer \$

Forecast Execution - Approp & Cust \$

Current Financial Trends

- Stagnant or declining appropriations
- Increasing reliance on customer funding
- Increasing unfunded mandates
- Increasing needs for reinvesting in the existing system
- Increasing capital needs of generating agencies

Access to Capital Effort

Find additional and sustainable funding tools to meet:

- Priority and timing of system needs
- Customer support and expectations
- Support by the Department of Energy, the Office of Management and Budget, and Congress

Proposed Timeline

- Goal: Submit proposals for FY 2015 budget cycle
- Develop proposed funding options – early Spring
- Stakeholder review and comment – Spring
- Propose final funding options to DOE and OMB – early Summer

December 4 meeting



Tony Montoya
Chief Operating Officer



Outcomes Outline

- Purpose of December 4 meeting
- Guiding Principles
- Western needs
- Customer needs

Purpose of December 4 meeting

- Introduce issue to key customer group leaders
- Receive feedback
- Frame customer outreach and partnership for effort

Guiding Principles

- Solutions should be cost-based
- Westernwide application
- Beneficiaries/User should pay
- Sound business principles
- Maximize existing tools
- Low cost/least cost options

Guiding Principles (cont)

- Transparency
- Comply with statutory authorities
- Consider new tools
- Core mission focus
- Minimize rate impacts
- Consider applicability to generating agencies

Western needs

- Flexibility to access different funding tools
- Customer support
- Flexibility to meet system and Western obligations
- Reduce or eliminate reliance on appropriations
- Solutions must be workable, achievable and consistent with industry standards
- Timely – can meet multi-year plan and cash flow needs
- Agreed-upon governance

Customer Needs

- Reliability at least cost
- Partnership in assessing investment priorities
- First right to fund
- Partnership commensurate with funding
- Solution should consider appropriate strategies for generating agencies
- Governance structure for project funding

Customer Needs (cont)

- First priority to statutory core mission requirements
- Ability to consider equity ownership or revenue stream options for each project
- Protection from outside influence
- Certainty that investments will be used as agreed
- Accountability on Western's use of funds
- Ability and flexibility to procure equipment

Next steps



Anita Decker
Acting Administrator

Next steps

- Western
 - Further review existing authorities
 - What more can we do within these authorities
 - Can we expand the use of existing tools to different regions
- Western/Customer
 - Technical Finance Workshop
 - On-going Policy/Governance discussions
- Continue to engage in a two-way dialogue
 - Additional meetings – Western or customer requested
 - Webinars and information posted online

Any feedback/comments/ideas

- Webpage:
<http://ww2.wapa.gov/sites/western/Pages/AccessstoCapital.aspx>
- Email: CapitalAccess@wapa.gov
- Talk with regional managers and CFO